

OTHER INFORMATION

VILLAGE OF BARRINGTON HILLS, ILLINOIS

**COMMUNICATION OF MATERIAL
WEAKNESSES IN INTERNAL CONTROL**

December 31, 2014



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

The Honorable Village President
Members of the Board of Trustees
and Management
Village of Barrington Hills, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Barrington Hills, Illinois (the Village) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

The Village's written responses to the deficiencies in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the President, the Board of Trustees and the management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read 'A. L. 22P'.

Naperville, Illinois
May 4, 2015

MATERIAL WEAKNESSES

1. Internal Controls

A system of internal control provides for a proper segregation of the accounting functions. This system would segregate recording of transactions, custody of assets, and authorization of transactions. Proper segregation is not always possible in smaller entities, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. At the Village, there is a lack of segregation of duties due to the number of personnel performing the accounting functions. The Treasurer conducts the vast majority of data entry, processing and reconciliations of the various transaction cycles. The Village does have significant compensating controls, such as Board approval of bills lists and oversight by the Village's Finance Committee. We recommend that management continuously review the current assignments of accounting functions and, when possible, segregate duties and/or implement compensating controls to reduce the risk of errors or fraud.

During our review of the Village's internal control processes, we identified the following opportunities to enhance and strengthen the Village's internal controls:

The Chair of the Finance Committee is provided with a monthly listing of all journal entries posted to the Village's accounting system, however, the formal approval of the entries is not documented and retained. We recommend that evidence of such review and approval be maintained as part of the month-end and year-end files.

The Village does not utilize a formal purchasing policy/purchasing manual. While we noted that due to the Village's size, the Treasurer does require written requests prior to initiating any purchases, we would advise the Village to adopt a formal purchasing policy/manual, and strongly recommend that this policy/manual include the use of purchase orders. The purchase orders should be pre-numbered, include information on the items to be purchased, and include the authorizing signature of a Department Head or other personnel authorized to initiate the purchase. Additionally, we noted that the signature stamp for the Village President is not locked in a secure location. Sikich recommends that the Village President's signature stamp be kept in a locked location at all times.

Management Response

The Village will review existing procedures and consider implementing the suggestions presented. The Village has already implemented the procedure to keep the signature stamp in a secured location.

2. Prior Period Adjustments

During our testing of governmental revenues, we noted that the Village was recording certain taxes, state shared revenues and grants using the incorrect recognition period. This recording was not in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. We proposed prior period adjusting journal entries which the Village posted to properly record this revenue. We recommend that the Village review its revenue recognition policies in order to ensure that all revenues are being properly recorded in accordance with the respective GASB guidance.

MATERIAL WEAKNESSES (Continued)

2. Prior Period Adjustments (Continued)

We also noted during our testing of the Village's long-term debt activity, that the Village was the lessee in a capital lease that had not been recorded on the general ledger in the previous fiscal year. Sikich proposed a prior period adjusting entry to record the opening balance of the capital asset (net of accumulated depreciation) and the capital lease liability.